

# *Independent Director Code*

*Developed by the Independent Directors Association jointly with the Russian Institute of Directors in partnership with Moscow Interbank Currency Exchange, International Finance Corporation and Good Governance Program of the International Trade Administration, US Department of Commerce.*

*Moscow - 2003*

## ***TABLE OF CONTENTS***

<b>TERMS AND DEFINITIONS .....</b>	<b>3</b>
<b>GENERAL PROVISIONS .....</b>	<b>4</b>
<b>SECTION 1. DEFINITION OF INDEPENDENT DIRECTOR .....</b>	<b>5</b>
<b>SECTION 2. GUIDELINES OF PROFESSIONAL CONDUCT.....</b>	<b>6</b>
<b>SECTION 3. PROFESSIONAL ACTIVITIES OF AN INDEPENDENT DIRECTOR: DEALING WITH THE COMPANY .....</b>	<b>8</b>
<b>SECTION 4. PROFESSIONAL ACTIVITIES OF AN INDEPENDENT DIRECTOR: DEALING WITH SHAREHOLDERS .....</b>	<b>11</b>
<b>SECTION 5. PROFESSIONAL ACTIVITIES OF AN INDEPENDENT DIRECTOR: DEALING WITH THIRD PARTIES .....</b>	<b>13</b>
<b>SECTION 6. UPHOLDING THE DIGNITY AND REPUTATION OF THE PROFESSION .....</b>	<b>14</b>

## *Terms and Definitions*

For the purposes of this Code terms and definitions set out below have the following meaning:

***Independent Director*** - a member of the Board of Directors (Supervisory Board) of a public company, matching the criteria of independence set out in this Code.

***Company*** - a public joint stock company, where an Independent Director is a member of the Board of Directors (Supervisory Board)

***Board of Directors*** - the Board of Directors (Supervisory Board), where an Independent Director serves.

***Code*** - the present Independent Director Code

***Stakeholders*** – parties, involved in corporate relations, other than owners (shareholders), the management and the Board of Directors: employees, suppliers, consumers, the State, the community.

## *General Provisions*

*This Code is a professional conduct guideline for independent directors in Russia. Adherence to those standards by Independent Directors and fulfillment of their responsibilities in a professional and faithful manner promotes confidence in the institution of Independent Directors on behalf of the investment community and companies.*

*Implementation of best corporate governance practices by Independent Directors in Boards of Directors (Supervisory Boards) of joint stock companies enhances the company management efficiency, improves its image and contributes to the overall growth of the company's shareholder value.*

*This Code is drafted in development of the Code of Corporate Conduct introduced by the FCSM of Russia, and Charter of the Independent Directors Association.*

*This Code takes into account the OECD's Principles of Corporate Governance and other best international corporate governance practices. The Code takes into account the specific legal and business environment of the activity of members of Boards of Directors of Russian corporations.*

*This Code is a live document intended to be improved and amended as the Independent Directors practice is evolving.*

*The Code is recommended to all independent directors working in Russian companies.*

*Compliance with this Code is compulsory for all Association members carrying out the functions of an independent director in Boards of Directors of Russian companies.*

## ***Section 1. Definition of Independent Director***

***The motto of the Independent Director is "Integrity and Professionalism". Independence, objectivity and an irreproachable business reputation are the distinguishing characteristics of an Independent Director.***

***The status of Independent Director applies with respect to a specific company, as of the moment the Independent Director is elected to the Board of Directors (Supervisory Board) and until the board director's authority is terminated or until a change in status is announced.***

***An Independent Director:***

***1. Matches the following criteria of the Code of Corporate Conduct, introduced by the FCSM of Russia:***

- has not been for the last 3 years and is not an officer (manager) or an employee of the company, or an officer (employee) of the company's management company***
- is not an officer of another company, where any of the company's officers is a member of the Board Committee on appointments and remuneration;***
- is not affiliated with an officer of the company (an officer of the company's management company);***
- is not affiliated with the company or with its affiliated parties;***
- is not a representative of the State;***

***and in addition, matches the following criteria:***

***2. Does not own either personally or through affiliated entities equity stakes in the company, sufficient for self-nomination to the Board of Directors of such company;***

***3. Does not receive remuneration for consulting and other services provided to the company, other than the remuneration for Board membership;***

***4. Does not represent the interests of consultants or counterparts, working the company;***

***5. Maintains solid business reputation, adheres to strong ethical standards and possesses the necessary leadership skills and business experience;***

***6. Has publicly declared his/her independent status prior to the election to the Board of Directors.***

## ***Section 2. Guidelines of Professional Conduct***

***2.1 An Independent Director shall respect the truth and act objectively and constructively in exercising his/her duties.***

***2.2 An Independent Director shall exercise his/her responsibilities in a bona fide manner in accordance with applicable legislation.***

***(1) An Independent Director shall devote sufficient time and attention to his/her professional obligations for informed and balanced decision making.***

***(2) An Independent Director shall carry out his/her professional duties based with adherence to principles of care, loyalty and disclosure.***

***(3) An Independent Director shall observe the law at all times and make every possible effort within the limits of his/her authority to ensure that the company observes the law likewise.***

***2.3 In decision-making situations, an Independent Director shall ensure that the decision would benefit the company, its shareholders and other stakeholders, providing a reasonable balance of interests.***

***(1) In conflict situations, an Independent Director shall be guided by the principles of increasing shareholder value and an equitable approach to the interests of all shareholder groups, and encourage the parties involved in the decision to adhere to the same principles.***

***2.4 An Independent Director shall not abuse his/her position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any other associated person, except for the remuneration for Board membership.***

***2.5 Observance of the independence requirement is the most important aspect of the activity of an Independent Director.***

***(1) An Independent Director shall refrain from any actions that could lead to a loss of his/her independence. Where circumstances arise which make an Independent Director lose his/her independence, the Independent Director must immediately notify the shareholders, the management and the Association accordingly.***

***(2) An Independent Director shall be prepared to provide arguments in support of his/her position if he/she disagrees with the majority of members of the Board of Directors, its chairman, the president of the company, or its managing director.***

***2.6 Transparency and openness to dialog are the distinguishing characteristics of an Independent Director.***

***(1) An Independent Director shall strive to establish constructive dialog with the company's Board of Directors and executive management. An Independent Director's ethical standards, decision making principles and reasons for disagreeing with a proposed decision should be clear for the Board of Directors and executive management.***

*(2) An Independent Director is recommended to present the present Code to the company's Board and the management.*

### ***Section 3. Professional activities of an Independent Director: relationship with the company***

***3.1 An Independent Director shall strive to acquire as soon as possible a sufficiently broad knowledge of the company's business in order to work effectively in its Board of Directors.***

*(1) An Independent Director shall strive to become familiar with the company's business, management structure and management personnel, the specifics of its business and markets, the types of state and commercial secrets with which he/she may come into contact, and the terms and conditions governing the use of such secrets.*

*(2) An Independent Director is recommended to become personally familiar with the production, technological, social, environmental, financial and other specifics of the company's business, to gain a general overview of its most important and typical clients, and to visit the company's sites or main production (service) areas.*

*(3) An Independent Director shall strive to attend all meetings of the Board of Directors.*

***3.2 An Independent Director shall endeavor to make his/her own contribution to the company's successful development, image enhancement and growth of the shareholder value.***

*(1) An Independent Director shall assist the Board in establishing vision, mission and values, and in setting strategy.*

*(2) An Independent Director shall assist the company in implementing best corporate governance and transparency standards from among those offered by international and Russian organizations and those applied by other companies.*

*(3) An Independent Director shall be ready to participate in the work of Committees of the Board of Directors, such as the Strategic Planning Committee, Audit Committee, Committee on Appointments and Remuneration. In case such committees do not exist, an Independent Director may come up with the initiative to create such committees within the Board of Directors.*

*(3) An Independent Director shall inform the company's management and the Board of Directors of the negative consequences he/she is aware of, that may arise as a result of the failure to comply with the generally accepted corporate governance standards.*

*(4) An Independent Director shall, acting within his/her authority, assist in protecting the legitimate interests of the company and its shareholders from illegal actions taken by third parties.*

***3.3 An Independent Director shall make decisions for the benefit of the company and all of its shareholders.***

*(1) When making decisions on material issues, an Independent Director shall strive to possess sufficiently complete and accurate information to enable a reasoned and balanced decision to be made. An Independent Director shall strive to ensure that the Board of Directors is supplied with the necessary information in advance. An Independent Director*



*shall pay special attention to the internal mechanisms of providing information, financial control and risk management.*

*(2) The priority issues on which an Independent Director must focus are preparing and holding meetings of shareholders and the Board of Directors, major transactions and transactions involving conflicts of interest, audit, securities issues, the disclosure of information on the company's operations, corporate culture and corporate social responsibility.*

*(3) An Independent Director shall do reasonable efforts to ensure that proposed decisions do not violate the law and/or infringe legitimate interests of shareholders. In particular, an Independent Director pays special attention to prices of major transactions and interested-party transactions matching the market prices.*

*(4) In case of a conflict, an Independent Director shall take an objective and unbiased attitude based on the principles of legitimacy, justice and equal treatment of all of the company's shareholders. An Independent Director shall strive to settle such conflicts internally as soon as possible.*

*(5) In case of disagreement an Independent Director is recommended to insist upon writing his/her special opinion into the minutes of the Board of Directors' meeting.*

*(6) An Independent Director shall have the right to solicit advice from independent experts, the company's shareholders, and civil professional organizations, when making a decision on issues that are objectively difficult. In this respect the Independent Director shall not disclose information which may constitute a State or commercial secret according to applicable laws and common sense considerations.*

***3.4 In relations with the company, an Independent Director shall adhere to the principle of openness with respect to himself/herself as well as his/her affiliated parties.***

*(1) An Independent Director's stakes in the company, including those held in trust, and the personal transactions of the Independent Director and his/her affiliated parties involving shares and other assets of the company and derivative instruments shall be transparent for the Board of Directors and executive management.*

*(2) An Independent Director is advised to transfer all of his/her shares in the company from nominal custodianship to his/her own account in the shareholders' register.*

***3.5 An Independent Director shall be fully aware of all liabilities arising from performance of his/her duties as member of the Board of Directors (Supervisory Board) of the company.***

*(1) An Independent Director shall get acquainted with all applicable Russian laws and regulations in order to clearly understand potential liabilities arising from performing the duties of a Board member in a joint stock company. In case if such company's securities are traded on international markets, the Independent Directors is also recommended to get familiarized with liabilities, arising under the legislation of respective jurisdictions.*

*(2) In case if no liability insurance is provided by the company, an Independent Director may come up to the Board of Directors with the initiative of introducing such liability insurance.*

***3.6 An Independent Director is entitled to receive a fair and adequate remuneration of his/her activities as a member of the Board of Directors.***

***(1) An Independent Director is recommended to get acquainted, if possible, prior to his/her election with the company's by-laws, governing the remuneration of Board members.***

## ***Section 4. Professional activities of an Independent Director: relationship with shareholders***

***4.1 An Independent Director acts as an agent of all the company shareholders and therefore shall, within the limits of his/her authority, protect the rights and legitimate interests of all of the company's shareholders and help establish constructive dialog between the company's shareholders and management.***

***(1) An Independent Director shall make every possible effort in his/her capacity as a member of the Board of Directors to ensure that the company is properly managed in the interests of all of its shareholders.***

***(2) An Independent Director shall strive to understand the expectations of shareholders and to make the company aware of those expectations and of shareholders' views on various issues of importance thereto.***

***(3) An Independent Director shall examine inquiries and proposals sent to him/her by shareholders and depending on the nature of the issue raised, bring it to the attention of the relevant executive body of the company or submit it for consideration by the Board of Directors. Where necessary, an Independent Director may accompany such inquiries by his/her opinion.***

***(4) An Independent Director shall agree to participate in meetings between the company's management and shareholders and strive to arrange such meetings.***

***4.2 An Independent Director shall endeavor to ensure that shareholders are given access to corporation information.***

***(1) An Independent Director shall strive to ensure that shareholders are provided with complete and timely information on the company's operations as stipulated by applicable laws.***

***(2) An Independent Director shall strive to implement transparency within the company and expand the scope of additional voluntary disclosures.***

***(3) When preparing and organizing shareholders meetings, an Independent Director shall endeavor to ensure that the shareholders are provided with as complete information as possible on all items of the meeting's agenda.***

***(4) An Independent Director shall endeavor to ensure that as much information required by shareholders for the purpose of evaluating the company's annual performance over the year is included in the annual report.***

***(5) An Independent Director may, on his/her own initiative, disseminate information with regard to material facts, if such information has not been published by the company within the timeframe established by law. In this case an Independent Director shall act in compliance with Article 5.2 of the present Code.***

***4.3 An Independent Director shall strive to be accessible and open to shareholders.***

*(1) An Independent Director shall provide information requested by shareholders with regard to his/her voting at Board meetings, the rationale for his/her voting and the amount of his/her remuneration as a member of the Board of Directors.*

*(2) An Independent Director shall have a publicly available mailing and e-mail address.*

## ***Section 5. Professional activities of an Independent Director: relationship with third parties***

***5.1 When dealing with third parties, an Independent Director shall be loyal to the company and its shareholders and protect their interests.***

***(1) An Independent Director may not maintain any relations with third parties, including the company's competitors and affiliated parties, if such relations are known to cause direct or indirect damage to the image, business or legitimate interests of the company and its shareholders, regardless of whether such relations benefit the Independent Director or his/her affiliated parties.***

***5.2 When dealing with the investment community and stock market analysts, an Independent Director shall make every possible effort to enable all the parties concerned to have simultaneous access to the information disclosed.***

***(1) An Independent Director may not disclose information on the company that might affect the value of the company's shares, other assets or business to a specific group of persons on special conditions related to either the scope or the time-frame of such disclosure.***

***5.3 An Independent Director shall disclose only accurate information that may be disclosed according under applicable laws and does not damage the company's business.***

***(1) An Independent Director shall not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans unless such disclosure is expressly approved by the Board of Directors or is required by law.***

## *Section 6. Upholding the dignity and reputation of the profession*

*6.1 An Independent Director shall respect the professional standing of other independent directors and must not damage their business reputation by accident or intentionally.*

*6.2 An Independent Director shall strive to constantly improve his/her professional skills, including through participation in special training programs.*

*6.3 An Independent Director shall participate in the activities of civil professional organizations promoting the profession of independent directors..*

*6.4 An Independent Director shall be open for exchange of experience and opinions with other members of the professional community.*